

ARIZONA STATE BOARD OF ACCOUNTANCY

ANNUAL MEETING MINUTES

August 16 & 17, 2007

Members of the Arizona State Board of Accountancy held an annual meeting on Thursday, August 16, 2007 from 9:05 a.m. to 3:50 p.m. and on Friday, August 17, 2006 from 8:36 a.m. to 1:00 p.m. at the Arizona Historical Society, 1300 N. College Avenue, Tempe, Arizona. An Executive Session was held on Thursday, August 16, 2007 from 2:17 p.m. to 2:27 p.m.

BOARD MEMBERS:

Marianne E. DeVries, CPA	President
Patrick J. Ramirez	Treasurer
Ⓢ James E. May.....	Secretary
Debbi Fitzgerald, CPA	Member
Gary W. Fleming, CPA	Member
Samuel L. Fogleman, CPA	Member
Earl R. Shivers, CPA	Member

Ⓢ Arrived at 11:43 a.m. (Thursday only)

OTHERS PRESENT:

Valerie M. Elliott.....	Executive Director
Seth T. Hargraves, Esq.	Assistant Attorney General
Daniel L. Christl, Esq	Assistant Attorney General
Ryan P. Edmonson.....	Programs & Projects Specialist II
Yolanda M. Barajas	Administrative Assistant III

COMMITTEE MEMBERS:

Julia Bradbury, CPA, Chairperson...	Accounting & Auditing Standards Committee
Carleen E. Shilling, CPA, Chairperson	Tax Practice Committee
William Persyn, CPA, Chairperson.....	CPE Committee
Ronald Davidson, PhD, Chairperson	Certification Advisory Committee
Gary J. Wood, CPA, Member	Peer Review Oversight Advisory Committee
James M. Susa, CPA, Chairperson.....	Law Review Advisory Committee

OTHER GUESTS

Cindie Hubiak, CPA, President, Arizona Society of Certified Public Accountants
Layne Simmons, CPA, Chair, Arizona Society of Certified Public Accountants
Craig Mills, Executive Director, Examination, American Institute of Certified Public Accountants
Joe Cote, Director of Operations, NASBA

Patricia Hartman, Director, National Candidate Database and CPAES Examination Operations, NASBA
Adela Jimenez, CPA, Arizona Society of Certified Public Accountants
Charlotte Hargreaves, EA, Arizona Society of Practicing Accountants

The meeting was called to order at 9:05 a.m. by Marianne E. DeVries, President. The following order of business was then considered:

Ms. DeVries welcomed and introduced new Board member, Gary W. Fleming to the other Board members.

CALL TO THE PUBLIC

No one wished to address the Board.

DISCUSSION WITH ARIZONA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS (ASCPA)

The Board met with Layne Simmons, CPA, Chair and Cindie Hubiak, President of ASCPA. Ms. Hubiak discussed with the Board mobility, certification workshops, Foundation for Education and Innovation and the Society YouTube website. Also, Ms. Hubiak provided an overview of the Society membership and services. Ms. Hubiak thanked the Board for establishing the Mobility Task Force.

Mr. Simmons addressed with the Board the issue of the lack of up and coming CPAs to replace those retiring from the profession. Also, Mr. Simmons stated the Society valued its good working relationship with the Board. In addition, Mr. Simmons discussed the AICPA financial literacy program.

DISCUSSION OF THE UNIFORM CERTIFIED PUBLIC ACCOUNTANTS EXAMINATION AND THE COMPUTER BASED TESTING (CBT) EXAMINATION CONTRACT

The Board met with Dr. Craig Mills, Executive Director of the Examination division of American Institute of Certified Public Accountants to discuss the AICPA fee increase for developing and grading the CPA exam. Dr. Mills gave a presentation on proposed future fee increases through 2010. Dr. Mills explained the fee increases are a result of the lower than expected volume for the exam and higher development costs. Also, Dr. Mills discussed with the Board the passing rates based on a number of parts taken in a window.

Also, the Board met with Joe Cote, Director of Operations for NASBA and Patricia Hartman, Director of the National Candidate Database and CPAES Examination Operations for NASBA. Mr. Cote gave a presentation on the proposed future fee increases through 2009. Mr. Cote explained the fee increases are a result of the lower than expected volume for the exam, higher software development costs and unanticipated candidate care costs.

Ms. Hartman presented statistical data regarding the performance of Arizona candidates on the CPA exam. Ms. Hartman stated Arizona continues to have passing rates higher

than the national average. Ms. Hartman spoke about the transfer and not splitting the screen issue candidates are experiencing.

A motion was made by Samuel L. Fogleman, seconded by Debbi Fitzgerald and passed to amend the contract to include the AICPA, NABSA and Prometric fee increases.

REVIEW, DISCUSSION, AND LEGAL ACTION ON INVESTIGATIVE GUIDELINES

Lawrence Field, CPA spoke to the Board on the current investigative process. Mr. Field addressed the issues of the Board hiring a CPA, time frame for completing the initial analysis, communication between committees and investigators. The Board discussed with Mr. Field investigators not drawing conclusions in their preliminary reports and trusting the committees to reach well thought out recommendations.

The Board discussed receiving additional information from the Committees when acting on a recommendation to close an initial analysis file.

The Board recessed at 12:15 p.m.

The Board reconvened at 1:15 p.m.

REVIEW, DISCUSSION, AND LEGAL ACTION ON RECOMMENDATIONS FROM THE MOBILITY TASK FORCE

Donald R. Bays, CPA, Chairperson of the Mobility Task Force, discussed with the Board the work of the task force. Mr. Bays discussed the task force recommendation to issue a substantive policy. Ms. Hubiak, a member of the task force, expressed to the Board that in her discussion with the national people, the substantive policy would not deem the Board to be a mobile state. Ms. Hubiak stated the Society wants to be able to say Arizona is a mobile state. The Board discussed the "no escape" aspect of mobility. Mr. Bays, stated in light of the discussion, the task force work is not complete, and that the task force would continue to meet.

REVIEW, DISCUSSION, AND LEGAL ACTION ON A PROPOSED DECISION AND ORDER (BY CONSENT) AND/OR REVIEW, DISCUSSION, AND LEGAL ACTION ON A REQUEST FOR REINSTATEMENT OF SUSPENDED CERTIFICATE

Mr. H. Michael Clyde, attorney for Michael Marrie and Brian Berry was present.

EXECUTIVE SESSION

A motion was made by Samuel L. Fogleman, seconded by Earl R. Shivers and passed to go into Executive Session at 2:17 p.m. to seek legal advice pursuant to A.R.S. § 38-431.03(A)(2)(3) and (4).

After consideration in Executive Session, the Board reconvened in Open Session at 2:27 p.m.

Debbi Fitzgerald declared conflicts on Maricopa County Superior Court Case No. LC2006-000132-001 DT and Board File Nos. 2000.026 and 2000.027.

A motion was made by Samuel L. Fogleman, seconded by Earl R. Shivers and passed to accept the signed Decision and Order (By Consent).

Debbi Fitzgerald declared a conflict and did not vote.

REVIEW, DISCUSSION, AND LEGAL ACTION ON PROPOSED RULES AND STATUTORY CHANGES

- i. Continuing professional education rules (A.A.C. R4-1-453)
A motion was made by Debbi Fitzgerald, seconded by Samuel L. Fogleman and passed to open a rulemaking docket.
- ii. Tax standards rules (A.A.C. R4-1-455.01(G))
A motion was made by Gary W. Fleming, seconded by Debbi Fitzgerald and passed to open a rulemaking docket.
- iii. Firm name (R4-1-455.03(D))
A motion was made by Earl R. Shivers, seconded by James E. May and passed to remand back to the Law Review Advisory Committee.
- iv. Proposed statutory changes to A.R.S. §§ 32-703(B)(3), 32-721, 32-730(I) and (K) and 32-742(C)
The Board tabled the matter.

REVIEW, DISCUSSION, AND LEGAL ACTION ON THE BOARD OF ACCOUNTANCY BUDGET AND STRATEGIC PLAN

Valerie M. Elliott, Executive Director, presented to the Board the strategic plan. The Board discussed with Ms. Elliott the strategic plan.

A motion was made by, seconded by James E. May and passed to approve the strategic plan.

Ms. Elliott presented to the Board the budget and recommendation from the OSPB and JLBC to research hiring a CPA. The Board discussed with Ms. Elliott the recommendation.

A motion was made by Samuel L. Fogleman, seconded by Debbi Fitzgerald and passed to approve the budget.

REVIEW AND DISCUSSION OF BOARD LETTERS SENT BY STAFF

The Board reviewed and discussed two letters regarding certification. The Board then determined that Board members would send in their changes, concerns and questions to staff on the remaining letters.

REVIEW, DISCUSSION, AND LEGAL ACTION ON ISSUES FROM AND REGARDING THE NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY (NASBA)

- i. Annual Meeting, October 28 - October 31, 2007, Maui, Hawaii
Consideration of approval for Assistant Attorney General and Board members attendance and travel to the meeting

A motion was made by Samuel L. Fogleman, seconded by Debbi Fitzgerald and passed to approve the Board officers and an assistant attorney general attendance and travel to the NASBA Annual Meeting, October 28 - 31, 2007, in Maui, Hawaii; if any officer is unable to attend then the Executive Director upon consulting the Board President can designate an alternate.

- ii. The Board discussed issues and concerns involving its communications and interactions with NASBA, including the level of NASBA's cooperation in meeting the Board's purposes.
The Board tabled the matter.

**REVIEW, DISCUSSION, AND LEGAL ACTION ON THE FEDERATION OF
ASSOCIATION OF REGULATORY BOARDS - ATTORNEY CERTIFICATION SEMINAR**

A motion was made by Samuel L. Fogleman, seconded by Patrick J. Ramirez and passed to approve the assistant attorneys general to attend and travel to the seminar, October 5 - 7, 2007, Charleston, South Carolina.

**REVIEW, DISCUSSION AND LEGAL ACTION OF THE MASTER MEETING SCHEDULE
FOR 2008**

The Board reviewed and discussed the calendar for 2008.

SUMMARY OF CURRENT EVENTS

None

The Board recessed at 3:50 p.m.

The reconvened at 8:36 a.m. on Friday, August 17, 2007.

ADVISORY COMMITTEE CHAIR REPORTS AND DISCUSSION WITH BOARD

Julia Bradbury, CPA, Chairperson of the Accounting and Auditing Standards Committee updated the Board on the activities of the Committee. Ms. Bradbury also discussed with the Board the search for a new committee member to replace John Todd, CPA. The Board discussed with Ms. Bradbury having more detail in the executive session minutes on initial analysis files.

Carleen E. Shilling, CPA, Chairperson of the Tax Practice Committee updated the Board on the activities of the Committee. Ms. Shilling also discussed with the Board continuing professional education credit for committee members. The Board discussed with Ms. Shilling having more detail in the executive session minutes on initial analysis files and the Tax Practice issues that are common to tax complaints.

William Persyn, CPA, Chairperson of the Continuing Professional Education Committee updated the Board on the activities of the Committee. The Board discussed with Mr. Persyn continuing professional education credit for committee members.

Dr. Ronald Davidson, Chairperson of the Certification Committee updated the Board on the activities of the Committee.

Gary J. Wood, CPA, Past Chairperson of the Peer Review Oversight Committee updated the Board on the activities of the Committee.

James M. Susa, CPA, Chairperson of the Law Review Advisory Committee updated the Board on the activities of the Committee. The Board discussed with Mr. Susa the committee's research on independence and the remand of the recommendation for R4-1-455.03(D).

DISCUSSION OF ITEMS TO BE PLACED ON FUTURE MEETING AGENDA

The following items were discussed:

- 1) Continuing Professional Education (A.A.C. R4-1-453) Rules
- 2) Board letters sent by staff
- 3) Job Description for CPA
- 4) NASBA Letter from Board
- 5) Subcommittee on Executive Director's Performance Review

RECOGNITION OF SERVICE

Ms. DeVries and Ms. Elliott presented the following individuals with an award for their years of service with the Board:

Charles A. Sorensen, CPA Certification Advisory Committee 1988 – 2007
John C. Todd, II, CPA ..Accounting & Auditing Standards Committee 1997 – 2007
Earl R. Shivers, CPA..... Board President 2006 – 2007
Donald R. Bays, CPA..... Board 2002 – 2007

ADJOURNMENT

The meeting adjourned at 1:00 p.m.

Marianne E. DeVries, CPA, President

Patrick J. Ramirez, Treasurer

James E. May, Secretary

Debbi Fitzgerald, CPA Member

Gary W. Fleming, CPA Member

Samuel L. Fogleman, CPA Member

Earl R. Shivers, CPA, Board Member